Unit 6 Part 1: Introduction to Insurance

**\_\_\_\_\_\_\_ = *the possibility of financial loss***

**Why is risk important for insurance?**

* Risk is what makes you decide whether or not you need \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Risk is what insurance companies measure when determining whether to \_\_\_\_\_\_ you insurance and how much it will \_\_\_\_\_\_\_\_.

**HOW DO WE HANDLE RISK?**

1.  \_\_\_\_\_\_\_\_\_\_: Choosing not to participate in an activity because of the risk involved, e.g. not getting a driver’s license;

2.  \_\_\_\_\_\_\_\_\_\_: Saving money in case of future losses, e.g. putting $1000 in a savings account in case of a car accident;

3. \_\_\_\_\_\_\_\_\_\_: Passing the risk on to an insurance company, e.g. paying a monthly fee for an insurance policy and expecting the insurance company to protect your assets.

**What is Insurance?**

Insurance is a \_\_\_\_\_\_\_\_\_\_that transfers risk from a policyholder to an insurance provider.

This legal contract is called a \_\_\_\_\_\_\_\_

**Risk**

**Insurance**

**Coverage**

**1.  A necklace is stolen from your home**

**Homeowners; renters/ condo; mobile home**

**Will pay to replace your necklace up to a fixed amount**

**2.   You die**

**Life Insurance**

**Will distribute money to your benefactors and cover household expenses**

**3.  Other suggestions?**

**???**

**???**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ -** The person for whom the risk is assumed

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ -** the amount of money you pay for an insurance policy.

* + **Monthly**
  + **Semi-Annually**
  + **Annually**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ -** a request for the insurance company to pay you.

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ -**  An amount you must pay before the insurance company pays a claim

* + Usually, the \_\_\_\_\_\_\_\_ the amount of the deductible (the more the policyholder has to pay before the insurance company will pay) the \_\_\_\_\_\_\_ the premium

**Risk**

**Insurance**

**Coverage**

**1.You lose your job**

**Mortgage and Credit**

**Will cover your debts for a fixed period while you are unemployed**

**2.Your stocks lose value**

**None**

**None**

**3. You have a car accident**

**Auto**

**Will pay for damage to your car and other damaged vehicles and property. Will pay for medical expenses for you and other parties.**

**Risk**

**Insurance**

**Coverage**

**1.  Your friend falls in your home and breaks his leg**

**Homeowners, renters, condo owners**

**Will pay fixed amount for his medical expenses**

**2. A pipe bursts in your apartment building and ruins your sofa**

**Renters**

**Will pay to replace your sofa or for the sofa’s value**

**3. The police give you a speeding ticket**

**None**

**None**

**4.  You are hurt on the job**

**Disability; workers’ compensation**

**Disability: Will pay your lost wages and medical expenses**

**Risk**

**Insurance**

**Coverage**

**1.  A necklace is stolen from your home**

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**Will pay to replace your necklace up to a fixed amount**

**2.   You die**

**Life Insurance**

**Will distribute money to your benefactors and cover household expenses**

**3.  Other suggestions?**

**???**

**???**

**Risk factors determine whether you will be able to buy a policy and how much it will cost.  
  
Generally speaking:  
Greater \_\_\_\_\_\_\_ = Greater \_\_\_\_\_**